

# A LABOR DAY BRIEFING FOR CALIFORNIA

September 2005

State of California  
Employment Development Department  
Labor Market Information Division

This [Briefing](#) was prepared to report on California's labor markets as the nation commemorates Labor Day, September 5. This report presents significant labor market trends and topical statistics relating to the California economy.



Arnold Schwarzenegger, Governor  
State of California

Victoria L. Bradshaw, Secretary  
Labor and Workforce Development  
Agency

Patrick W. Henning, Director  
Employment Development Department

Tim Taormina, Chief  
Labor Market Information Division

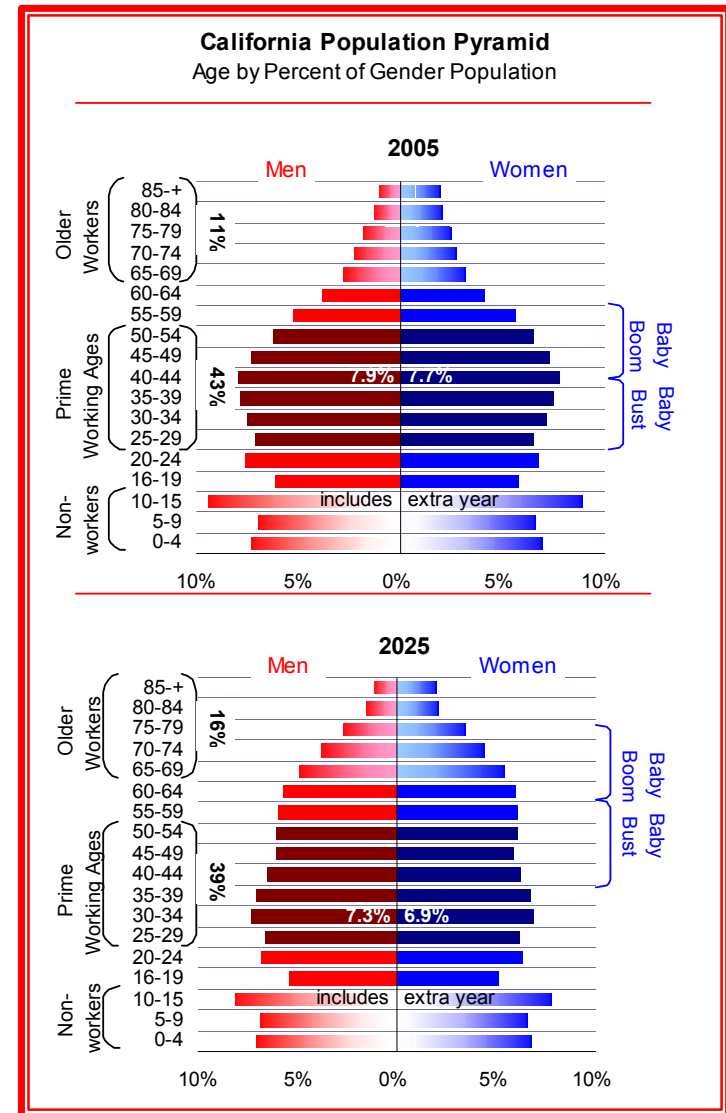
Media contacts:

Suzanne Schroeder  
Kevin Callori  
Communications Office,  
Public Affairs Branch, EDD  
(916) 654-9029

## A FEW BASIC FACTS

- ◆ According to the household survey of employment, there are 17.8 million persons in the California labor force. There are 16.9 million working Californians, and slightly more than 900,000 unemployed Californians. About one out of every ten working Californians is self-employed.
- ◆ Nearly two-thirds of California's population 16 years and older participate in the labor force. The remainder of the working-age population is not in the labor force, a category that includes homemakers, stay-at home caregivers, students, and retirees.
- ◆ The age composition of the California labor force will change over the next two decades. The charts at the right depict the age distribution of the California population in 2005 and as projected for 2025. The bars representing the 2005 population resemble a “beet” shape as a result of the baby boom generation; persons now aged 41 to 59.
- ◆ In 20 years, the California age distribution will have a more column-like appearance, as shown in the 2025 population chart. Baby boomers, who will then be ages 61 to 79 years, will no longer swell the age distribution.
- ◆ In 2005, 43 percent of the State population is in the prime working ages of 25 to 54 years. By 2025, the prime working ages will comprise just 39 percent of the State population. The share of older persons (age 65 and older) in the State’s population is projected to grow from 11 percent in 2005 to 16 percent in 2025.
- ◆ As the baby boomers age, older workers will become an increasingly active segment of the labor force. In 2005, 15 percent of Californians over 65 were either employed or looking for work. This was up 4 percentage points since 1997. Studies have shown that seniors are more likely to work in their senior years if they worked as young

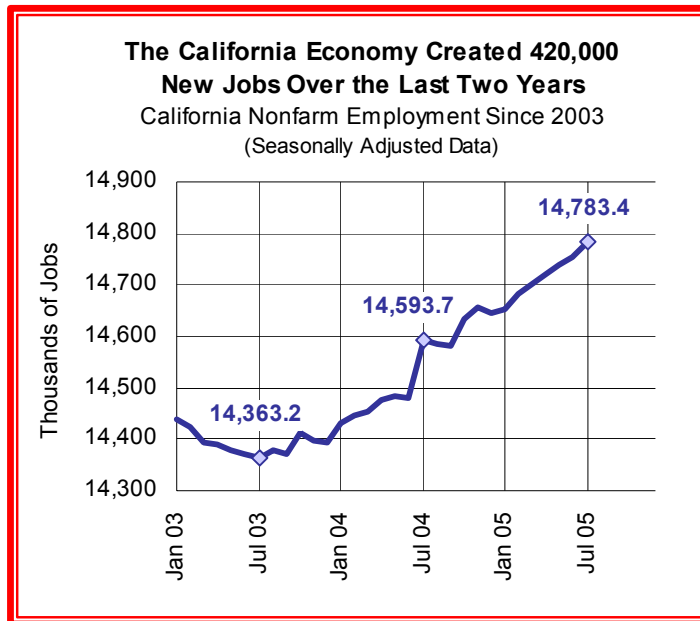
adults. This is important because baby boomers grew up in era in which the number of women entering the workforce increased dramatically.



# EMPLOYMENT IN CALIFORNIA IS EXPANDING

## JOBS

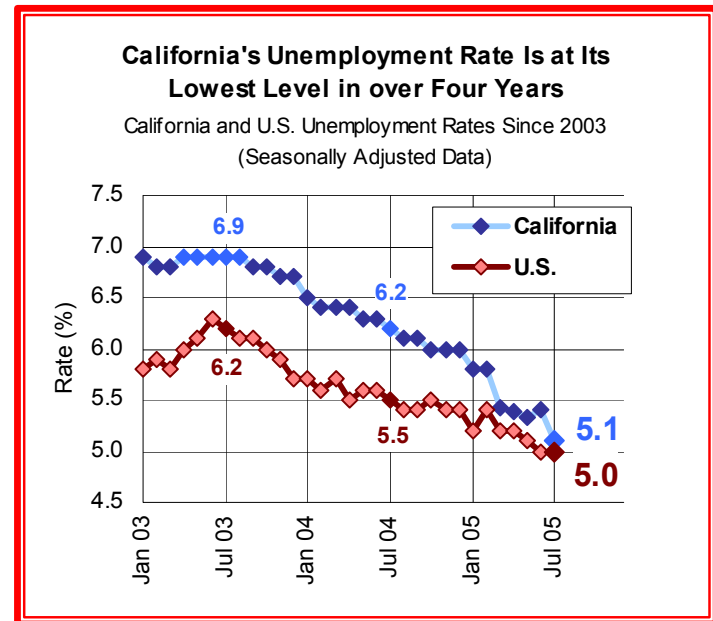
- ♦ July marked the second year of sustained job growth in California and the nation. California nonfarm payrolls reached a record high of 14,783,400 jobs in July 2005. The economy has more than erased the job losses it incurred during the 2001 recession and early stages of the current economic recovery.
- ♦ California's nonfarm payrolls rose for the seventh consecutive month in July 2005. The State has added 189,700 new jobs over the last year, and 420,200 new jobs over the last two years.
- ♦ U.S. nonfarm payrolls rose for the 26<sup>th</sup> consecutive month in July 2005. National job gains total 2.2 million jobs over the last year, and 3.9 million jobs over the last two years.



- ♦ In percentage terms, U.S. job growth outpaced California's over the last year. Whereas U.S. nonfarm payrolls grew by 1.7 percent, California's grew by 1.3 percent. However, California's rate of job growth over the last two years has paralleled the nation's. Whereas U.S. nonfarm employment rose 3 percent over the last two years, California's rose 2.9 percent.

## LABOR FORCE EMPLOYMENT

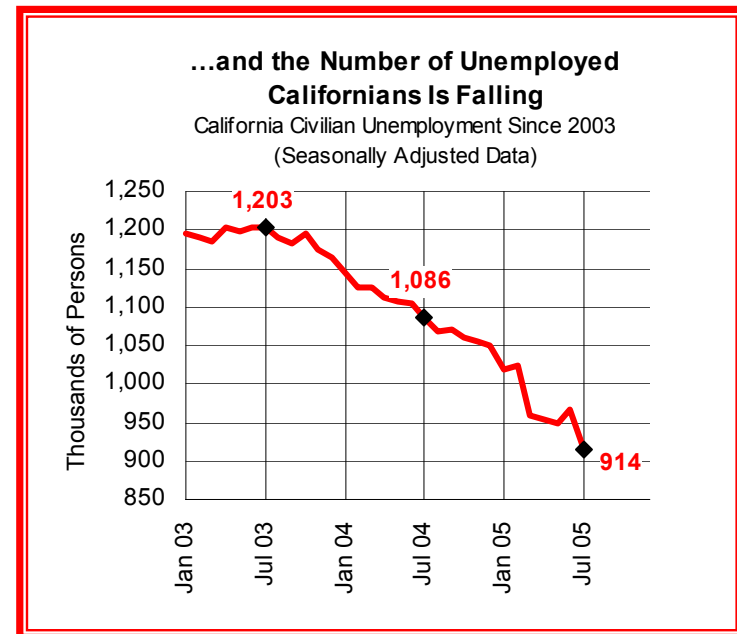
- ♦ California's unemployment rate was 5.1 percent in July 2005. This was the State's lowest unemployment rate in over four years. In comparison, the U.S. unemployment rate was 5.0 percent in July. This was the narrowest gap between the California and U.S. unemployment rates in nearly 15 years.



- ◆ The California unemployment rate fell 1.1 percentage point over the last year, and 1.8 percentage point over the last two years. In comparison, the national rate declined by 0.5 percentage point over the last year and 1.2 percentage point over the last two years.
- ◆ Robust employment growth and falling unemployment have powered the drop in California's unemployment rate.

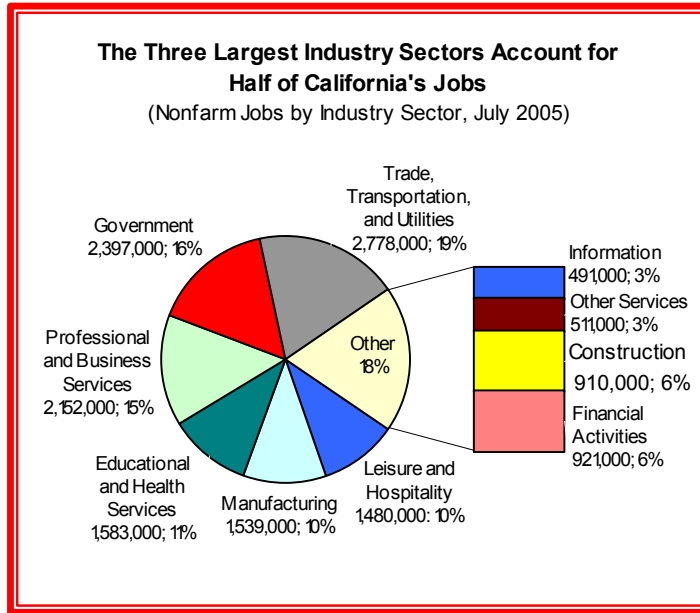


- ◆ The number of employed Californians increased by 392,000 persons (2.4 percent) over the last year, and by 675,000 persons (4.2 percent) over the last two years.
- ◆ In July 2005, the number of unemployed Californians fell to its lowest level in four years. There were 172,000 fewer unemployed persons (16 percent) than last year, and 289,000 fewer persons (24 percent) than two years ago.



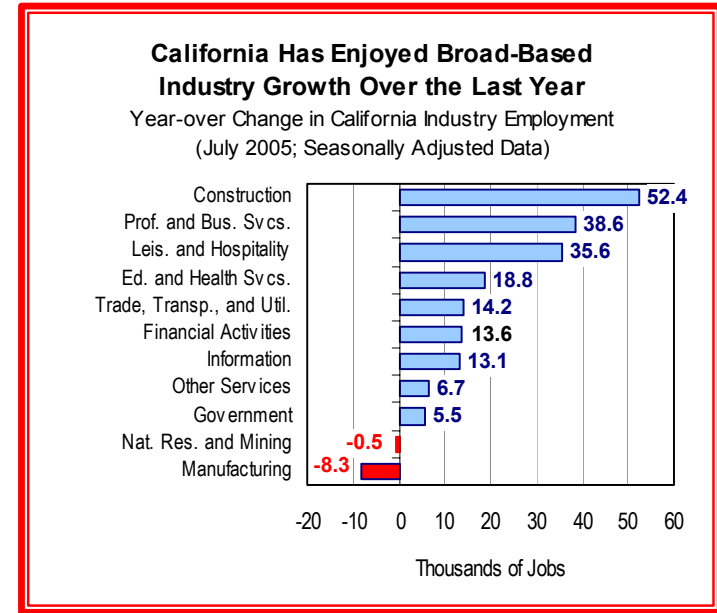
# INDUSTRY HIGHLIGHTS

- ◆ According to the July 2005 payroll survey of employment, five out of every six California nonfarm jobs were in service-providing industries while the rest were in goods-producing industries.
- ◆ Trade, transportation, and utilities; government (with nearly half of all government jobs in education); and professional and business services were the industry sectors with the largest number of jobs. These three sectors accounted for half of California's total nonfarm jobs. Manufacturing, educational and health services, and leisure and hospitality combined accounted for nearly one-third of California's jobs. The farm sector accounted for 2 percent of total industry employment in July.



## YEAR-OVER EMPLOYMENT TRENDS

- ◆ California has had broad-based industry job growth in the current expansion. Nine of California's 11 major industry sectors exhibited year-over job growth in July 2005, and just two exhibited losses.
- ◆ Construction paced California's job growth over the last year, gaining 52,400 jobs. Moreover, construction's 6.1 percent year-over job growth was far and away the largest growth among California's 11 industry sectors. The State's booming housing market provided the impetus for most of these gains, but commercial and heavy construction hiring was also strong.



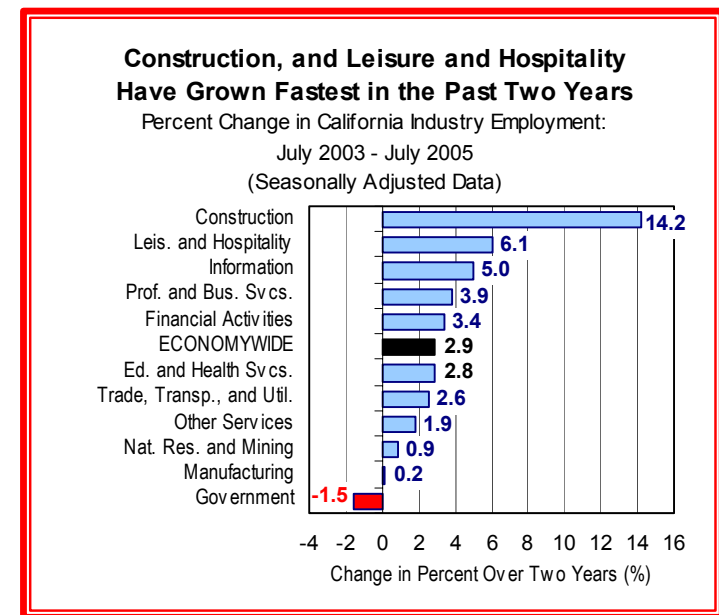
- ◆ Professional and business services grew by 38,600 jobs over the last year, the second largest among industry sectors. However, professional and business services' year-over growth of 1.8 percent growth ranked fourth among sectors. Unadjusted data show that employment services accounted for nearly half (48 percent) of the sector's year-over growth. Payrolls in the high-wage professional, scientific, and technical services industry grew 2.0 percent in the last year.
- ◆ Reflecting continuing strength in California's tourism and entertainment industries, leisure and hospitality added 35,600 jobs (2.5 percent) during the last year. This was the third largest gain in number and percent among California's industry sectors.
- ◆ California's information sector, which was hard hit during the high technology and dot-com bust, gained 13,100 jobs over the last year. The sector's 2.7 percent year-over gain was the second largest among sectors. Year-over gains in motion pictures and sound recording totaled 16,200 jobs (10.7 percent). However, California's telecommunications industry continues to struggle, with year-over job losses totaling 3,800 jobs.
- ◆ Educational and health services; trade, transportation, and utilities; and financial activities were the other California industries to gain more than 10,000 jobs over the last year.
- ◆ California's government employment stabilized over the last year. The sector gained 5,500 jobs over the year ending in July 2005. This compares to losses totaling 42,700 jobs over the year ending in July 2004.
- ◆ Manufacturing, and natural resources and mining were the only two California industries to lose jobs over the last year.
- ◆ Year-over job losses in California's manufacturing sector totaled 8,300 jobs. Manufacturing payrolls have

decreased 18 percent from their peak in December 2000. However, there were bright spots in the manufacturing industry.

- ◆ Durable goods manufacturing payrolls grew by 0.9 percent during the last year, with six industries showing job gains, one showing no change in employment, and three showing losses. The largest year-over gain was in the computer and electronic products manufacturing industry. This industry has gained 4,700 jobs in the last three months alone. However, job losses in non-durable goods manufacturing outweighed the gains in durable goods manufacturing.

## TWO-YEAR INDUSTRY TRENDS

- ◆ Two-year industry employment trends further highlight the prominent role that the construction, and leisure and hospitality sectors have played in the current expansion.

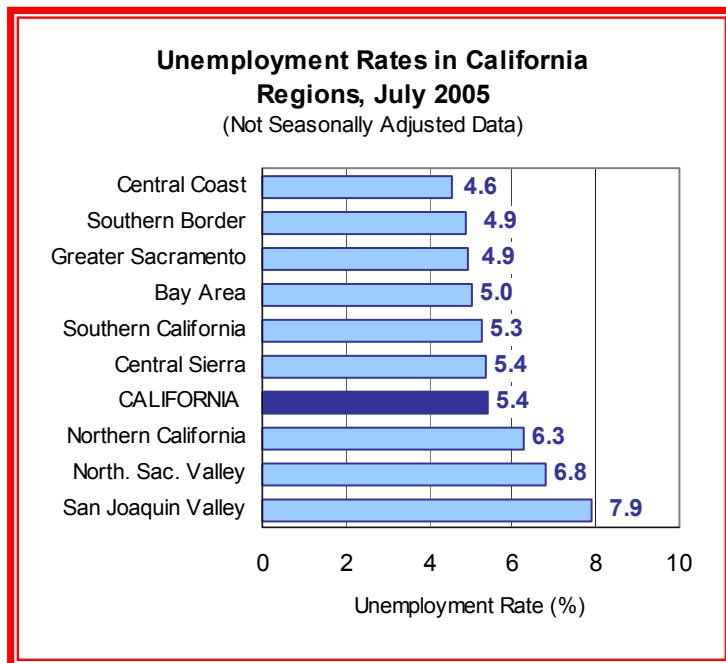


- ◆ Construction paced California's job growth over the last two years, adding 113,400 new jobs (14.2 percent). This was the largest job gain in both number and percentage among industry sectors. Construction single-handedly accounted for over one-quarter (27 percent) of the 420,200 new jobs created by the overall California economy over the last two years, and grew at nearly five times the overall economy's rate of growth.
- ◆ Leisure and hospitality (85,000 jobs; 6.1 percent) added the second most jobs in the California economy over the last two years, and grew at the second fastest rate. The sector accounted for one out of every five (20 percent) of the new jobs in the State over the last two years.
- ◆ Construction, and leisure and hospitality combined created nearly 200,000 new jobs over the last two years, accounting for just under half (47 percent) of the job growth in the overall California economy in 2005.
- ◆ Professional and business services, and financial activities were the other California industries that grew at a faster rate than the overall California economy over the last two years.
- ◆ Educational and health services, and trade, transportation, and utilities grew at a slightly slower rate than the overall California economy over the last two years. Manufacturing eked out a 0.2 percent employment gain.
- ◆ Government, with losses of 37,200 jobs (1.5 percent), was the only one of California's industries to lose jobs over the last two years. This was due to budget difficulties that resulted in heavy job losses from July 2003 through July 2004.

## UNEMPLOYMENT RATES ARE FALLING AND JOBS ARE RISING IN ALL REGIONS OF THE STATE

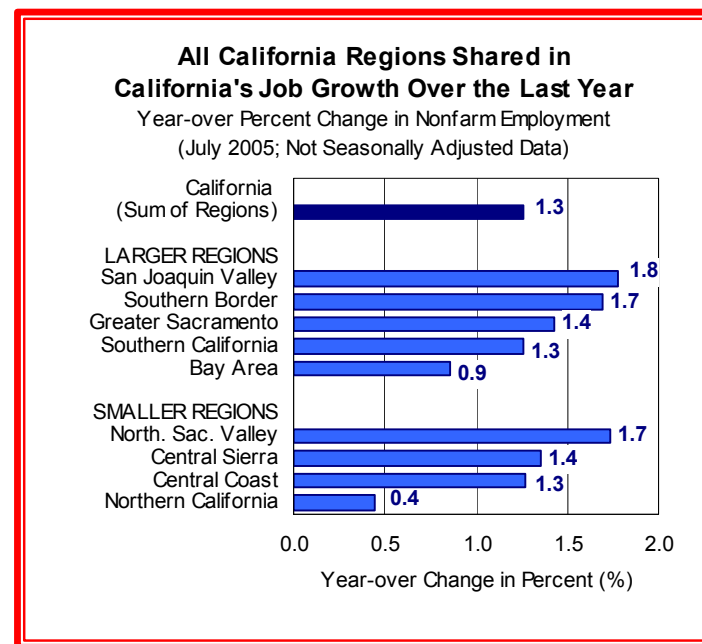
- ◆ Regional labor markets characterize California's vast economy. The state's five largest regions (Southern California, Bay Area, Southern Border, San Joaquin Valley, and Greater Sacramento) account for nearly 95 percent of California's jobs.
- ◆ Regional unemployment rates vary. The unemployment rates of the state's more urban regions along the coast tend to be lower than those of more rural or agriculturally-oriented regions.
- ◆ Central Coast had the lowest regional unemployment rate in July 2005 at 4.6 percent. Southern Border and Greater Sacramento were the large California regions with unemployment rates below 5.0 percent. The San Joaquin Valley Region had the highest rate at 7.9 percent.
- ◆ The unemployment rates of all California regions fell over the year ending in July 2005. San Joaquin Valley (down 1.4 percentage point) had the largest year-over unemployment rate drop. The unemployment rate fell 1.1 percentage point in Southern California, Bay Area and Northern California. The unemployment rate decreased by less than 1.0 percentage point in all other regions.
- ◆ San Joaquin Valley and the Bay Area had the largest unemployment rate decreases over the last two years, with drops of 2.5 and 2.3 percentage points,

respectively. Southern California's rate decreased 1.8 percent. These were the only regions to match or exceed the 1.8 percentage point drop in the not seasonally adjusted California unemployment rate over the last two years.



- ◆ Nonfarm payrolls grew in each of California's nine regions over the last year. Year-over employment growth tended to be stronger in the Central Valley and southern regions of the State than in northern regions.
- ◆ San Joaquin Valley had the fastest nonfarm job growth over the last year, increasing 1.8 percent. Southern Border and Northern Sacramento Valley both grew at a 1.7 percent pace. Greater Sacramento and Central Sierra were the other regions to grow at a slightly faster rate than the State as a whole. Southern California and Central Coast matched the California (Sum of Regions)

rate of job growth.<sup>1</sup> The rate of job growth in the Bay Area and Northern California lagged behind the State's.



- ◆ As befits its size, the Southern California region had the largest year-over nonfarm employment gain, adding 86,500 jobs. The Bay Area (28,200 jobs) and Southern Border (22,000 jobs) were the other regions to gain more than 20,000 jobs over the last year.
- ◆ Job growth in the Bay Area picked up significantly in the last year. The region's 28,200-job year-over gain compares to a year-over gain of just 800 jobs in July 2004, and a year-over loss of 109,400 jobs in July 2003.

<sup>1</sup> Some of the jobs counted by the establishment survey are not assigned to a region. As a result, the sum of regional jobs differs from official California job estimates. The California (Sum of Regions) job count is the appropriate measure to use when comparing regional job growth rates to the State's.

# SPOTLIGHT ON MANUFACTURING

- ◆ Front-page headlines often note the movement of domestic manufacturing jobs offshore. Despite this common perception of decline, the National Association of Manufacturers (NAM)<sup>2</sup> voices a serious concern about shortage of qualified applicants. California manufacturers echo those concerns. While direct production jobs have felt the effects of offshoring and automation, manufacturing still employs over one and a half million workers in California, many of whom will retire over the next decade. Manufacturers are actively working to change the perception that manufacturing is a declining industry in order to attract young people to train for careers in the industry.
- ◆ *Manufacturing Careers*, a soon-to-be-released e-publication from the Employment Development Department at its [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) Web site presents 70 design, production, and logistics occupations in manufacturing. The occupational descriptions include information about tasks, skills, training requirements, outlook, wages, and employing industries. *Manufacturing Careers* provides links to short action videos for some occupations.
- ◆ The transformation of California's traditional manufacturing to a value chain of design, production, and logistics requires a skilled workforce.<sup>3</sup> Employers cite the need for workers to have better work habits and computer skills. As manufacturing moves further into computer-controlled automation, more workers will need computer skills. Today, even light industrial occupations, such as assemblers and material handlers,

require basic computer skills and business application knowledge as they employ scanners to track inventory and make adjustments to electronic stockrooms.

- ◆ Manufacturers increasingly use temporary help services for their workforce as they strive to cut labor costs and maintain a lean and flexible operation. Temporary help services jobs are classified under the employment services industry instead of manufacturing. As a result, manufacturing employment data make it appear that manufacturing jobs have declined by more than they actually have. The table below lists a sampling of common manufacturing occupations and shows their projected growth within the employment services industry.

**Growth of Selected Manufacturing Occupations in Employment Services Industry**

Occupation	2002	2012	Change	Percent Growth
Tool and Die Makers	300	500	200	67%
Machinists	2,700	4,500	1,800	67%
Helpers, Production Workers	6,600	9,500	2,900	44%
Inspectors, Testers, Sorters, Samplers, and Weighers	3,500	5,600	2,100	60%
Hand Packers and Packagers	17,300	27,700	10,400	60%
Packaging and Filling Machine Operators and Tenders	6,600	11,900	5,300	80%
Team Assemblers	4,800	7,100	2,300	48%

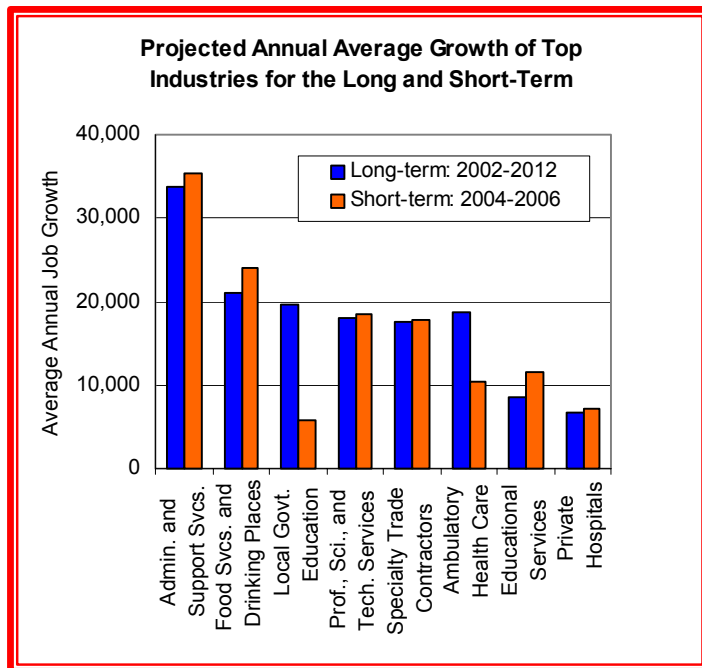
Source: EDD, LMID, *California Industry and Occupation Staffing Patterns*

<sup>2</sup> National Association of Manufacturers, "Shortage of Skilled Workers Imperils the Industry," [http://www.nam.org/s\\_nam/sec.asp?CID=86&DID=84](http://www.nam.org/s_nam/sec.asp?CID=86&DID=84), (August 2005).

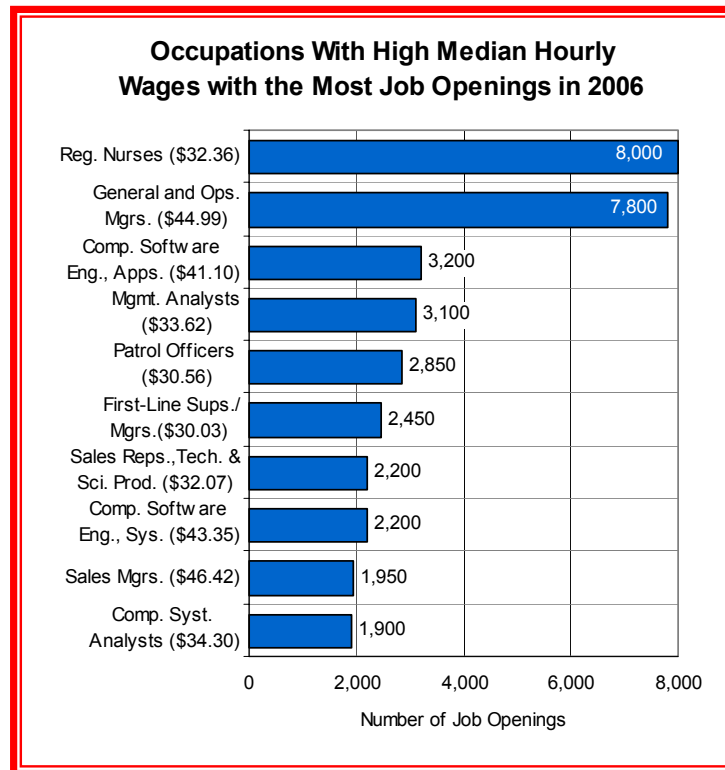
<sup>3</sup> Collaborative Economics, *Manufacturing in Transformation, Economic Change and Employment Opportunities in the Design, Production, and Logistics Value Chain*, September 2004.

# THE SHORT- AND LONG-TERM JOB OUTLOOK

- California's nonfarm employment is expected to grow at a rate of 1.6 percent in 2006 and add about 235,000 new jobs. This is slightly slower growth than the annual average rate of 1.9 percent and about 270,000 jobs per year projected through 2012.
- For both the long and short-term, more than half all job growth will be concentrated in eight industries—administrative and support services; food services and drinking places; local government education; professional, scientific, and technical services; specialty trade contractors; ambulatory health care services; (private) educational services; and private hospitals. The chart below compares the annual average growth of these eight industries over the short and long-term.
- Much of the long and short-term job growth will occur in professional and business services, health care, education, and construction industries. There will be less growth over the short-term than over the long term in local government education and ambulatory health care services (outpatient services).
- Job openings are created when an industry grows or when workers leave the labor force or change occupations. Many of the job openings (growth plus replacements) for the long and short-term will occur in entry-level, transitional jobs in which there is a constant need for new workers. Retail salespersons, cashiers, and food service workers (waiters and waitresses, counter attendants, and combined food preparation) are expected to be most in demand.

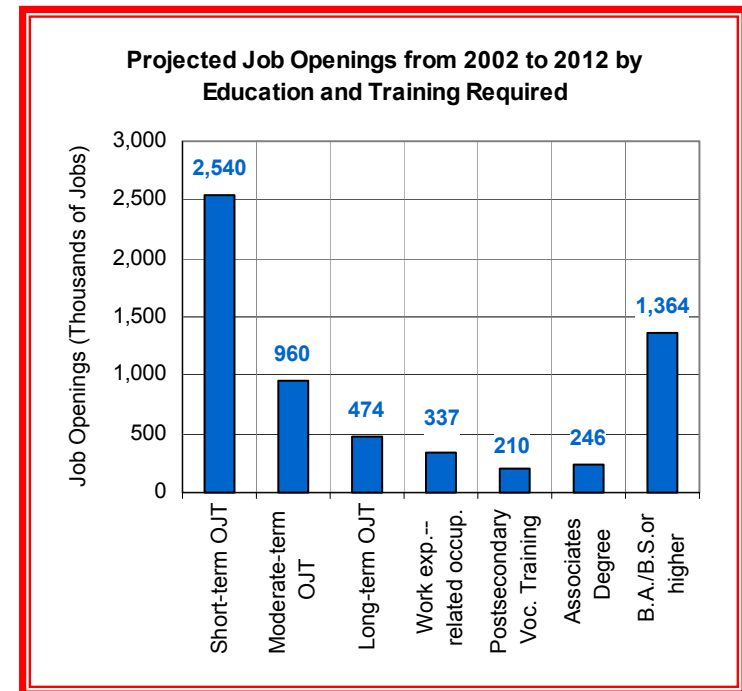


- ◆ Not all job openings are being created at the entry-level. In 2006, there will be a substantial demand for workers in higher paying occupations, led by registered nurses and managers. Other higher paid occupations with a sizeable number of job openings will be in the technology field. The chart below lists the top ten occupations with the most job openings that pay a median wage of greater than \$30 an hour. Median wages are shown in parentheses in the occupational titles.



- ◆ The long-term outlook for the number of job openings by education and training reflects the need for a broad range of trained workers. While there will be many openings that provide on-the-job training (OJT) for workers, there will also be a substantial number of jobs that require at least a

Bachelor's degree. About 22 percent of all job openings through 2012 will require at least a B.A./B.S. degree.



For more information about the Employment Development Department's programs and services, visit the EDD Web site at [www.edd.ca.gov](http://www.edd.ca.gov).

The California State Employment Development Department (EDD) is a recipient of federal and State funds, is an equal opportunity employer/program, and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act (ADA). Special requests for alternate formats need to be made by calling the following information number: (916) 262-2162.